

## MEMORANDUM

TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

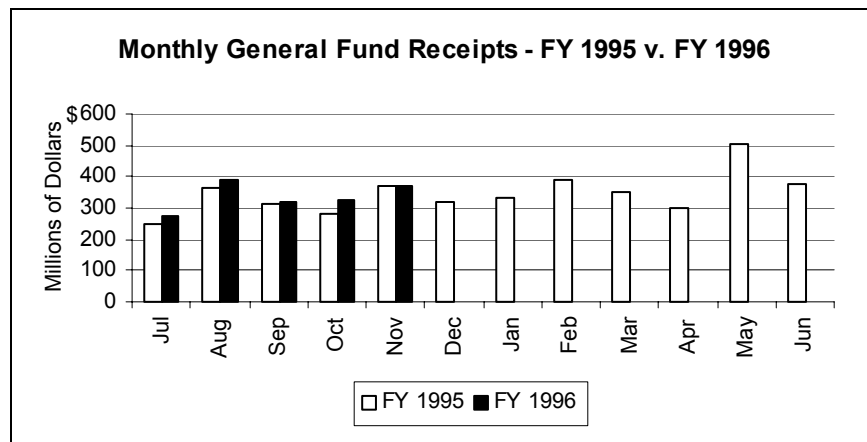
FROM: Dennis C. Prouty

DATE: December 1, 1995

### General Fund Receipts Through November 30, 1995

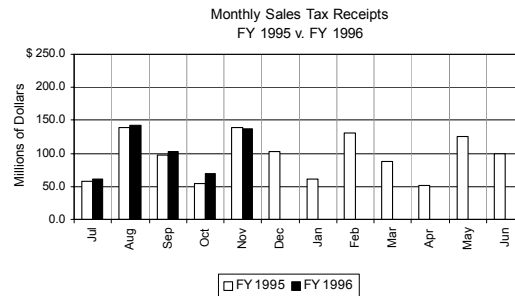
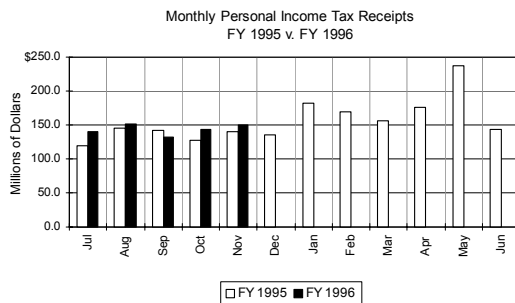
The attached spreadsheet represents total FY 1996 General Fund receipts, with comparable figures for FY 1995. These can also be compared to the latest FY 1996 estimate that was set by the Revenue Estimating Conference (REC) on October 4, 1995.

At the October meeting, the REC increased the FY 1996 General Fund estimate \$62.3 million to \$4.347 billion, which represents an increase of 4.7% over actual FY 1995 receipts. The REC established an estimate of \$4.476 billion for FY 1997, an increase of \$128.3 million (3.0%) compared to the current FY 1996 estimate. Total FY 1997 General Fund receipts net of refunds are projected to increase 3.2% compared to FY 1996. On December 12, 1995, the REC will meet to revisit the estimates for FY 1996 and FY 1997.



Total year-to-date General Fund receipts for FY 1996 increased 6.8% over FY 1995. Tax receipts showed an increase of 6.0%. Personal income tax receipts increased 6.4%. Sales tax receipts were 5.5% higher than the previous fiscal year. Use tax increased 8.1% over FY 1995, and corporate income tax receipts showed a 14.7% increase.

Personal income tax receipts through the first five months totaled \$43.1 million more than the same period in FY 1995. Revenues received in November were 6.0% higher than November 1994. November withholding receipts were 3.5% greater than November 1994. More than 30.0% of the month's growth was due to a delayed payment in the school district surtax payment. Additionally, almost two-thirds of the major FY 1996 legislated and administrative changes (pension exclusion, dependent credit, and changes in withholding) is expected to occur after the new year. Adjusted for this factor, personal income tax receipts through November exceeded FY 1995 receipts by approximately 4.7%.

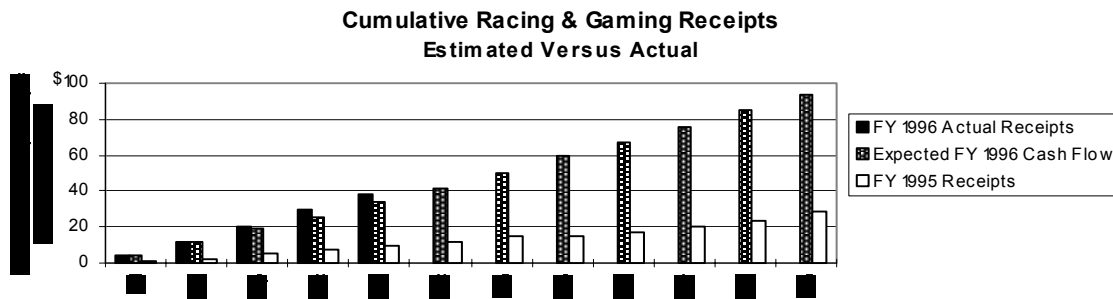


Monthly sales tax receipts in November were 2.2% lower than November of last year. The major factors attributable to timing issues have been largely worked out, so both the month-to-month and year-to-date figures should accurately reflect sales and use tax receipts activity.

Although year-to-date corporate income tax receipts remain strong, receipts in November were 24.4% less than November 1994. This represents the first time since August 1994 that this measure has been negative. Receipts for November should more accurately reflect business activity in 1994 than did receipts through October.

Franchise tax receipts remain below initial projections, but November receipts were 91.0% higher than November 1994. After finishing FY 1995 15.1% less than the previous year, franchise tax receipts in the first five months of FY 1996 were 24.5% lower than the same period in FY 1995. We are currently studying the effects of SF 478, a Bill passed during the 1995 Legislative Session to curb the loss of franchise tax revenues, and expect to issue a report sometime this month.

Racing and gaming receipts continue to be closely monitored. If cash flow adjustments are considered, receipts through November exceeded projections by approximately \$4.4 million. The following chart illustrates the expected cash flow for FY 1996 racing and gaming receipts.



## Receipts Compared to REC Estimate

The October REC FY 1996 estimate of 4.7% was exceeded by 2.1 percentage points. Assuming each month is expected to increase by the REC estimate, the estimate for the first five months was exceeded by approximately \$33.0 million. If the timing factors associated with personal income tax law changes are considered, the REC estimate was exceeded by approximately \$22.0 million (1.4 percentage points). Receipts for the remainder of the year must grow 3.3% to reach the October FY 1996 REC estimate.

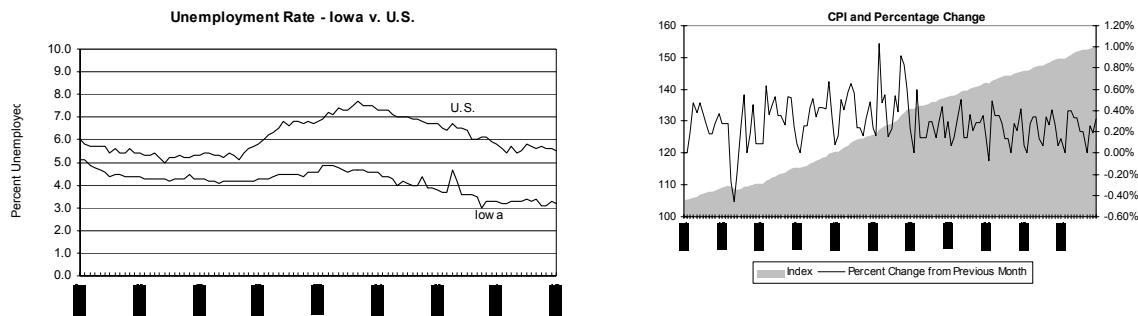
## Obligations

School aid payments are to be paid in monthly installments, subject to the cash position of the State. The November installment has been paid, and all payments are scheduled to be completed by June 1996.

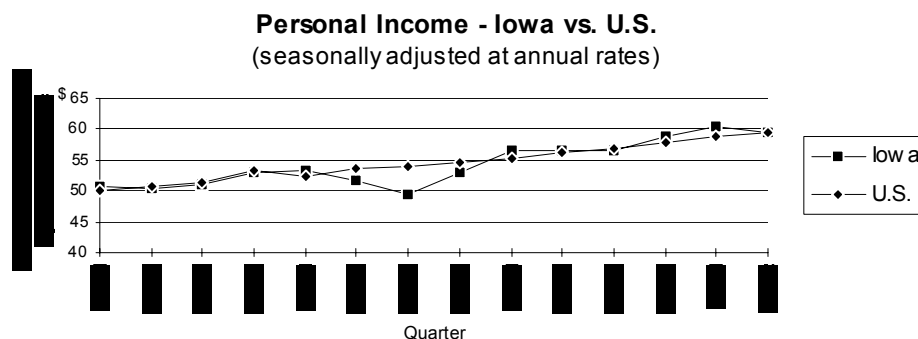
## Status of the Economy

The seasonally adjusted percent unemployed for the State decreased 0.1 percentage points in October to 3.2%, largely due to record employment. The U.S. unemployment rate in October declined modestly to 5.5%.

Consumer prices in October increased 0.3%. The Consumer Price Index (CPI) through October 1995 was 153.7 (1983=100), which is 2.8% higher than one year ago. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through October 1995.



The U.S. Department of Commerce released personal income estimates for the second quarter of 1995. Compared to the first quarter, total personal income in Iowa declined 1.7%, the largest decline in the nation. The drop was due almost entirely to the timing of federal farm subsidy payments. Compared to the second quarter of 1994, total personal income grew 5.0%, which is 0.8 percentage points lower than the nation as a whole. Non-farm personal income grew 0.8% compared to the first quarter, and 6.1% over the second quarter of 1994, which compares favorably to the nation.



We will be mailing special tax and economic performance reports on a monthly basis. Feel free to contact us for additional information or if you feel the report needs clarification.

GENERAL FUND RECEIPTS - PREVIOUS COMPARED TO CURRENT PERIOD					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars		
July 1, 1995, through November 30, 1995, in millions of dollars					FY 95 Actual Compared to FY 96 REC Estimate		
	FY 1995	FY 1996	Year to Date % CHANGE	November % CHANGE	Actual FY 1995	Estimate FY 1996	% CHANGE
Personal Income Tax	\$ 673.7	\$ 716.8	6.4%	6.0%	\$ 1,875.0	\$ 1,930.0	2.9%
Sales Tax	487.7	514.6	5.5%	-2.2%	1,147.3	1,188.6	3.6%
Use Tax	85.4	92.3	8.1%	-9.6%	196.0	210.0	7.1%
Corporate Income Tax	84.3	96.7	14.7%	-24.4%	268.7	290.0	7.9%
Inheritance Tax	39.4	40.0	1.7%	22.8%	89.2	90.9	1.9%
Insurance Premium Tax	0.2	0.1	-28.9%	n/m*	102.1	101.0	-1.1%
Cigarette Tax	39.7	40.1	1.0%	5.4%	93.3	94.0	0.8%
Tobacco Tax	2.1	2.3	7.9%	4.9%	5.1	5.2	2.0%
Beer Tax	5.7	5.6	-0.8%	3.7%	12.4	12.5	0.8%
Franchise Tax	12.0	9.0	-24.5%	91.0%	28.9	29.4	1.7%
Miscellaneous Tax	1.7	0.7	-62.0%	-379.8%	1.0	0.9	-10.0%
Total Special Taxes	\$ 1,431.8	\$1,518.3	6.0%	0.1%	\$ 3,819.0	\$ 3,952.5	3.5%
Institutional Payments	44.8	41.3	-7.8%	-11.1%	107.4	107.4	0.0%
Liquor Transfers:							
Profits	10.0	9.5	-5.0%	-16.7%	26.4	26.5	0.4%
7% Gross Revenue	3.8	3.8	0.0%	0.0%	9.0	9.0	0.0%
Interest	3.9	6.3	63.1%	67.5%	17.3	13.0	-24.9%
Fees	20.5	21.9	6.8%	4.4%	57.3	61.1	6.6%
Judicial Revenue	19.8	12.4	-37.3%	2.9%	48.4	40.1	-17.1%
Miscellaneous Receipts	28.1	27.5	-2.1%	-77.8%	40.7	44.2	8.6%
Racing and Gaming Receipts	9.4	38.5	309.7%	278.9%	28.5	93.4	227.7%
TOTAL RECEIPTS	\$ 1,572.2	\$1,679.6	6.8%	0.3%	\$ 4,154.0	\$ 4,347.2	4.7%

\*n/m = not meaningful